

Director of Central Intelligence

21 July 1950

Acting Executive

Changes in Confidential Funds Regulations

1. Attached are changes in Confidential Funds Regulations as indicated below:

- a. Part VIII is completely rewritten.
- b. Part XIII is a completely new section.

2. All CIA officials concerned, including the ADO and ADPC and General Counsel, have concurred in these changes.

3. I wish to point out for your special attention "Reserve Fund."

a. We have on hand, carried over from SSU and not obligated or expended, a total of \$4,031,000.00 in cash, gold and jewels, which has never been reported to the Bureau of the Budget, the General Accounting Office or to appropriations committees of Congress. This sum is in excess of any appropriations made for CIG or CIA, and has neither been augmented from such appropriations nor used for augmentation of appropriated funds.

b. Current disposition of these funds is indicated below:

- (1) Available in Washington in
cash, gold and jewels - - - - - \$2,665,000.00
- (2) Included in operational advances
to field stations, but not
authorized for obligation - - - - \$1,366,000.00
\$4,031,000.00

c. Until we admit to the possession of these funds we are faced with the following alternatives:

(1) Continue to hold them without expenditure or report. This is what we have been doing and the result is the completely negative one of immobilizing \$4,000,000.00 and leaves us always faced with discovery and difficult explanations.

(2) Expend part or all of them and report in the normal manner. This would bring immediate inquiry as to where we got the money and our authority for expenditure in excess of appropriations.

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(3) Expend them without vouchers or reporting. The danger of such a course is obvious. Such a possibility should be given no actual consideration.

(4) (a) Inform the Bureau of the Budget that we have these funds, together with circumstances of acquisition and the fact that no expenditure has been authorized or made from them, and request guidance in connection with legal retention.

(b) Establish the reserve fund at an initial total of \$4,031,000.00.

(c) Establish with the Bureau of the Budget, the General Accounting Office and appropriate committees of Congress the principle of requesting annual appropriations for any necessary augmentation or replenishment of the reserve fund.

d. Recommend that action indicated in c(4) above be taken in connection with the presentation of our fiscal year 1952 budget.

4. If you approve, please sign each page of the proposed changes in black India ink, and return all copies to the Executive for further action.

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